

## **DECISION MEMORANDUM**

**TO: COMMISSIONER KEMPTON  
COMMISSIONER SMITH  
COMMISSIONER REDFORD  
COMMISSION SECRETARY  
COMMISSION STAFF**

**FROM: KRISTINE SASSER  
DEPUTY ATTORNEY GENERAL**

**DATE: MARCH 25, 2011**

**SUBJECT: IDAHO POWER'S APPLICATION FOR AUTHORITY TO IMPLEMENT  
FIXED COST ADJUSTMENT RATES, CASE NO. IPC-E-11-03**

On March 15, 2011, Idaho Power Company filed an Application requesting authority to implement fixed cost adjustment (FCA) rates for electric service from June 1, 2011, through May 31, 2012. In Case No. IPC-E-04-15, Order No. 30267 issued March 12, 2007, the Commission approved a stipulation to implement a three-year FCA pilot program for residential and small general service customers. On October 1, 2009, the Company filed an application seeking authority to convert the pilot program to an ongoing, permanent program. Case No. IPC-E-09-28. The Commission denied Idaho Power's request to make the FCA mechanism permanent and, instead, extended the pilot program for an additional two years. Order No. 31063. This is the Company's first FCA adjustment filing since the Commission issued the extension, and the Company's fourth overall FCA adjustment filing.

### **BACKGROUND**

The FCA is a mechanism to separate Idaho Power's fixed costs from its energy sales, and establish a rate to allow the Company to recover its fixed costs separate from energy sales. The rationale for an FCA is that traditional rate design discourages energy conservation programs; that is, utilities that recover fixed costs through energy sales have no incentive to reduce their sales volume by encouraging energy efficiency and demand-side management programs.

The FCA implemented in 2007 for the pilot program works the same for residential and small general service customers. For each class, the number of customers is multiplied by a

fixed-cost per customer rate that is determined through the Company's revenue requirement in a general rate case. This produces an authorized fixed-cost recovery amount, which is then compared to the amount of fixed costs actually recovered by the Company. The difference between the authorized fixed-cost recovery amount and the actual amount collected by the Company is the fixed-cost adjustment for each customer class.

### **THE APPLICATION**

Idaho Power reports that the rate of growth in the number of residential customers was more than the rate of growth in the energy sales for the residential customer class in 2010, i.e., the average use per customer decreased. As a result, the Company under-collected fixed costs by approximately \$7.9 million for its residential class.

The Company states that energy usage per customer also decreased in the small general service class resulting in an under-collection of approximately \$1.4 million in fixed costs. Consistent with the first three years of the FCA pilot, the Company proposes a combined rate increase for residential and small general service customers that will recover approximately \$3 million above what is currently recovered through FCA rates and represents an average increase of 0.74%.

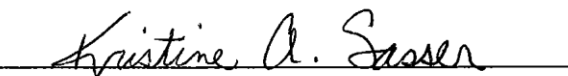
Idaho Power requests that its Application be processed by Modified Procedure.

### **STAFF RECOMMENDATION**

Staff recommends that Idaho Power's Application be processed by Modified Procedure with comments to be filed no later than Thursday, May 12, 2011, and responsive comments to be filed no later than Thursday, May 19, 2011.

### **COMMISSION DECISION**

Does the Commission find that the public interest may not require a hearing to consider the issues presented, and that this proceeding may be processed under Modified Procedure with a comment deadline of May 12, 2011, and responsive comment deadline of May 19, 2011?

  
Kristine A. Sasser  
Deputy Attorney General